

KIDS ON THE MOVE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION AND REPORTS
IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS AND OMB CIRCULAR A-133**

Years Ended June 30, 2005 and 2004

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A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kids on the Move, Inc.

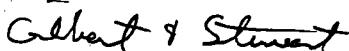
We have audited the accompanying statements of financial position of Kids on the Move, Inc., (a nonprofit organization) as of June 30, 2005 and 2004 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Kids on the Move, Inc.'s, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids on the Move, Inc., as of June 30, 2005 and 2004, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2005, on our consideration of Kids on the Move, Inc.'s, internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Kids on the Move, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, of *States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



GILBERT & STEWART CPAs
August 24, 2005

KIDS ON THE MOVE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2005 and 2004

	2005	2004
Assets:		
Cash	\$ 361,257	\$ 86,519
Accounts receivable	23,496	75,599
Marketable securities	891,920	612,659
Prepaid expenses and deposits	493	200
Net fixed assets	<u>2,350,959</u>	<u>2,481,676</u>
Total assets	<u>\$ 3,628,125</u>	<u>\$ 3,256,653</u>
Liabilities:		
Accounts and contracts payable	\$ 15,352	\$ 20,674
Accrued wages and related liabilities	136,147	127,803
Deferred revenue	<u>8,644</u>	<u>-</u>
Total liabilities	160,143	148,477
Net Assets:		
Unrestricted, undesignated	1,104,982	518,836
Unrestricted, designated for endowment	1,000	1,000
Unrestricted, designated for net fixed assets	2,350,959	2,481,676
Temporarily restricted	<u>11,041</u>	<u>106,664</u>
Total net assets	<u>3,467,982</u>	<u>3,108,176</u>
Total liabilities and net assets	<u>\$ 3,628,125</u>	<u>\$ 3,256,653</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2005 and 2004

	2005	2004
Unrestricted Net Assets:		
Revenue and support:		
State appropriation	\$ 695,901	\$ 737,878
Federal revenues	1,832,732	1,456,444
Program service revenue	168,363	142,793
United Way allocation	4,183	5,018
Contributions	347,044	367,261
In-kind contributions	70,500	281,247
Interest earned	28,466	8,104
Gain on investment in marketable securities	91	33,131
Loss from disposal of fixed assets	(2,441)	-
Net assets released from restrictions	<u>101,623</u>	<u>41,579</u>
Total revenue and support	3,246,462	3,073,455
Expenses:		
Program services:		
Early Intervention	1,776,902	1,678,310
Early Head Start	648,369	589,865
Supporting services:		
Management and general	<u>365,762</u>	<u>311,339</u>
Total expenses	<u>2,791,033</u>	<u>2,579,514</u>
Change in unrestricted net assets	455,429	493,941
Temporarily Restricted Net Assets:		
Contributions	6,000	2,000
Net assets released from restrictions	<u>(101,623)</u>	<u>(41,579)</u>
Change in temporarily restricted net assets	<u>(95,623)</u>	<u>(39,579)</u>
Change in Net Assets	359,806	454,362
Net Assets at July 1	<u>3,108,176</u>	<u>2,653,814</u>
Net Assets at June 30	<u><u>\$ 3,467,982</u></u>	<u><u>\$ 3,108,176</u></u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2005

	Program Services		Supporting Services	
	Early Intervention	Early Head Start	Management and General	Totals
Compensation	\$ 1,206,912	\$ 427,677	\$ 225,288	\$ 1,859,877
Employee benefits	211,096	64,067	39,048	314,211
Depreciation	92,007	33,151	18,166	143,324
Insurance	11,532	4,607	2,252	18,391
Dues	619	1,057	968	2,644
Building maintenance	56,845	20,435	12,657	89,937
Equipment maintenance	33,666	14,313	8,393	56,372
Utilities	14,563	5,341	3,032	22,936
Postage	3,651	1,330	837	5,818
Printing	5,009	1,810	2,066	8,885
Accounting services	16,712	6,128	3,575	26,415
Supplies:				
Cleaning	4,041	1,573	1,068	6,682
Office	11,835	4,913	6,167	22,915
Program	27,325	24,283	14,663	66,271
Telephone	11,750	4,259	2,928	18,937
In-service	8,747	17,861	3,350	29,958
Transportation	56,870	15,238	4,305	76,413
Other	3,722	326	16,999	21,047
Total expenses	<u>\$ 1,776,902</u>	<u>\$ 648,369</u>	<u>\$ 365,762</u>	<u>\$ 2,791,033</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2004

	Program Services		Supporting Services	
	Early Intervention	Early Head Start	Management and General	Totals
Compensation	\$ 1,187,497	\$ 430,444	\$ 170,384	\$ 1,788,325
Employee benefits	184,734	55,316	26,949	266,999
Depreciation	77,521	27,335	13,579	118,435
Insurance	14,322	5,044	2,330	21,696
Dues	1,219	455	602	2,276
Building maintenance	13,517	4,814	29,991	48,322
Equipment maintenance	38,312	12,219	17,086	67,617
Utilities	14,285	4,966	2,770	22,021
Postage	3,481	1,254	701	5,436
Printing	5,542	1,718	979	8,239
Accounting services	22,126	7,953	3,001	33,080
Supplies:				
Cleaning	6,185	2,171	2,750	11,106
Office	16,643	6,068	5,248	27,959
Program	13,449	5,707	8,039	27,195
Telephone	12,815	4,529	2,428	19,772
In-service	13,357	7,782	4,185	25,324
Transportation	47,451	11,601	601	59,653
Other	5,854	489	19,716	26,059
Total expenses	<u>\$ 1,678,310</u>	<u>\$ 589,865</u>	<u>\$ 311,339</u>	<u>\$ 2,579,514</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 2,355,406	\$ 2,226,232
Cash received from donors	344,271	374,129
Cash received from service recipients	316,385	398,625
Interest received	28,466	8,104
Cash paid to employees	(2,165,745)	(2,072,448)
Cash paid to suppliers	(309,827)	(791,551)
Net cash provided by operating activities	568,956	143,091
Cash Flows from Investing Activities:		
Purchases of marketable securities	(279,170)	(347,462)
Purchases of fixed assets	(15,048)	(239,314)
Net cash used by investing activities	(294,218)	(586,776)
Net Change in Cash	274,738	(443,685)
Cash at July 1	86,519	530,204
Cash at June 30	<u>\$ 361,257</u>	<u>\$ 86,519</u>

Supplemental Information:

A reconciliation of the change in net assets to cash flows provided by operating activities for the years ended June 30, 2005 and 2004, follows:

	2005	2004
Change in net assets	\$ 359,806	\$ 454,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	143,324	118,435
In-kind contributions	-	(269,847)
Loss from disposal of fixed assets	2,441	-
Gain on investment in marketable securities	(91)	(33,131)
(Increase) decrease in operating assets:		
Accounts receivable	52,103	262,022
Prepaid expenses and deposits	(293)	(170)
Increase (decrease) in operating liabilities:		
Accounts and contracts payable	(5,322)	(397,025)
Accrued wages and related liabilities	8,344	8,445
Deferred revenue	8,644	-
Net cash provided by operating activities	<u>\$ 568,956</u>	<u>\$ 143,091</u>

The accompanying notes are an integral part of these statements.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Kids on the Move, Inc., have been prepared on the accrual basis following the accounting principles generally accepted for voluntary health and welfare organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity - Kids on the Move, Inc., a nonprofit organization, was incorporated August 21, 1986, for the purpose of, but not limited to, providing charitable and educational services for the betterment of members of the community with primary emphasis on disabled and disadvantaged children.

Donated Services and Materials - Members of the community provide voluntary services directly to program participants; while such services are of worth, the value of these contributed services is not measured and recorded in the financial statements. Significant donations of materials are recorded as revenue at fair value.

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Marketable Securities - Investments in marketable securities are reported at their fair values in the statements of financial position. Net investment gains (losses) in the statements of activities include realized and unrealized gains and losses. Marketable securities consist of \$891,920 and \$612,659 in mutual funds at June 30, 2005 and 2004, respectively.

Fixed Assets - Fixed assets are capitalized at cost (or, if donated, at fair value at the date of donation) and are depreciated over their estimated useful lives using the straight-line method (see Note 4).

Income Taxes - The Organization is a tax-exempt organization under Internal Revenue Code Section 501(a) and is classified as a Section 501(c)(3) public charity.

Allocation of Costs - Direct costs are charged to the appropriate program and indirect costs are allocated to the programs proportionate to each program's usage.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Note 2. Cash

At June 30, 2005, the carrying amount of cash deposits is \$74,845 and the bank balance is \$367,324, \$2,003 of which is covered by federal depository insurance. The Organization also had \$286,412 deposited with a broker, \$100,000 of which is covered by the Securities Investor Protection Corporation.

Note 3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Early Intervention Grant	\$ 18,727	\$ 15,085
Community Development Block Grant	-	55,688
Other	4,769	4,826
	<u>\$ 23,496</u>	<u>\$ 75,599</u>

Note 4. Fixed Assets

The Organization's policy is to capitalize costs for property and equipment of \$1,000 or more. The Organization is required to maintain property records for all fixed assets acquired using federal grant monies. For such property, any money received at the time of the asset's disposal must be retained in the program or returned to the federal government. Fixed assets held by the Organization at June 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>	
	Cost or Donated Value	Cost or Donated Value	Estimated Useful Life
Building	\$ 2,289,679	\$ 2,289,679	40 Years
Land improvements	24,275	24,275	15 Years
Equipment	549,948	553,591	5-7 Years
	<u>2,863,902</u>	<u>2,867,545</u>	
Accumulated depreciation	<u>(512,943)</u>	<u>(385,869)</u>	
Net fixed assets	<u>\$ 2,350,959</u>	<u>\$ 2,481,676</u>	

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5. Temporarily Restricted Net Assets

The Organization receives donations that are specifically restricted by the donor. During the years ended June 30, 2005 and 2004, the Organization had received \$6,000 and \$106,644, respectively, in funds restricted by the donors. These donations were restricted for the following purposes at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Program Services	\$ 4,664	\$ 4,664
Scholarship	-	100,000
Other	<u>6,377</u>	<u>2,000</u>
	<u>\$ 11,041</u>	<u>\$ 106,664</u>

Note 6. Supplemental Disclosures of Cash Flows Information

The Organization paid no interest or income taxes for the years ended June 30, 2005 and 2004.

The Organization received \$11,400 of in-kind contributions, in the form of the fair value of the use of land occupied by the Organization's buildings, during the year ended June 30, 2005.

The Organization received \$281,247 of in-kind contributions in the form of office furniture and equipment and the fair value of the use of land occupied by the Organization's buildings during the year ended June 30, 2004.

Note 7. Retirement Plan

The Organization adopted a retirement plan on July 1, 1995. The plan is a tax-sheltered annuity for employees who meet certain eligibility and service requirements. For the years ended June 30, 2005 and 2004, employees contributed \$20,830 and \$33,020, respectively, to the annuity. Currently, there is no matching requirement for the Organization, and the Organization did not make any contributions to the plan during the years ended June 30, 2005 and 2004.

Note 8. Economic Dependency

The Organization receives most of its revenue from Early Intervention, Early Head Start, and related programs, which are federal programs. State appropriations are also received as part of the Early Intervention program. The Organization is limited to providing Early Intervention services to residents living within the Alpine School District boundaries and Early Head Start services to residents living within Utah County boundaries.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9. Matching Contributions

Under the grant agreement with the U.S. Department of Health and Human Services (Early Head Start) for the years ended June 30, 2005 and 2004, the Organization is required to match 20 percent of federal expenditures with non-federal contributions.

The Organization's total matching contribution for the years ended June 30, 2005 and 2004, was \$179,552 and \$203,035, respectively. The total matching contribution requirement for the years ended June 30, 2005 and 2004 were \$179,552 and \$139,415, respectively.

The amounts required for matching contributions have not been recorded in the financial statements as discussed in Note 1, but have been reported for compliance with the Organization's grant agreement with the U.S. Department of Health and Human Services (Early Head Start).

Note 10. Related Party Transactions

The Organization rented golf course facilities for \$4,000 and \$3,892 from a board member during the years ended June 30, 2005 and 2004, respectively. The rental of the golf course was for a fund raising activity.

Note 11. Internal Transactions

The Organization's child care activity is a supporting service to the program services of the Organization. During the year ended June 30, 2005, child care recorded \$54,592 and \$44,316 of revenue charged to the Early Intervention and Early Head Start programs, respectively. During the year ended June 30, 2004, child care recorded \$45,672 and \$41,906 of revenue charged to the Early Intervention and Early Head Start programs, respectively.

Note 12. Line of Credit

The Organization established a line of credit with a bank during the year ended June 30, 2003. At June 30, 2005 and 2004, all funds were available.

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13. Operating Leases

The Organization leases office equipment under two operating leases. Monthly payments on these leases are \$1,096 and \$360 per month. Payments on these leases during the years ending June 30, 2005 and 2004, were \$16,281 and \$12,072, respectively.

Estimated future annual lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2006	\$ 13,152
2007	4,320
2008	720

**SUPPLEMENTARY INFORMATION AND REPORTS IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133**

Year Ended June 30, 2005

KIDS ON THE MOVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Department/Pass-Through Grantor/Program Title	Grantor Number	Federal CFDA Number	Federal Awards Expended	State Match	Total
U.S. Department of Housing and Urban Development:					
Passed through the City of Orem:					
Community Development Block Grant/Entitlement Grants	n/a	14.218	\$ 9,750	\$ -	\$ 9,750
U.S. Department of Education:					
Passed through State of Utah Department of Health:					
Special Education - Grants for Infants and Families with Disabilities	02-6609	84.181	724,306	695,901	1,420,207
Department of Health and Human Services:					
Direct Programs:					
Early Head Start	08YC0012/05	93.600	847,215	-	847,215
Passed through the Utah Department of Workforce Services/ Office of Child Care:					
Child Care and Development Block Grant	n/a	93.575	7,808	-	7,808
Total awards			\$ 1,589,079	\$ 695,901	\$ 2,284,980

Notes to Schedule:

This schedule is prepared using the accrual method of accounting, the same basis of accounting that is used to prepare the financial statements.

Federal awards are recognized as revenues at the time such monies are spent and award requirements have been met.

The Organization also received \$243,653 of Medical Assistance Program (Federal CFDA Number 93.778) monies through the State of Utah Department of Health. These Medicaid monies are included as federal revenues on the statements of activities but are not included on this schedule.

Federal awards expended	\$ 1,589,079
Medicaid monies received	243,653
Federal revenues	<u>\$ 1,832,732</u>

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Kids on the Move, Inc.

We have audited the financial statements of Kids on the Move, Inc., (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

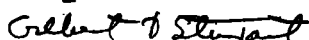
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kids on the Move, Inc.'s, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Kids on the Move, Inc., in a separate letter dated August 24, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kids on the Move, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART CPAs
August 24, 2005

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Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Kids on the Move, Inc.

Compliance

We have audited the compliance of the Kids on the Move, Inc., (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2005. Kids on the Move, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kids on the Move, Inc.'s management. Our responsibility is to express an opinion on Kids on the Move, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kids on the Move, Inc.'s, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kids on the Move, Inc.'s, compliance with those requirements.

In our opinion, Kids on the Move, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Kids on the Move, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kids on the Move, Inc.'s, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert & Stewart

GILBERT & STEWART, CPAs
August 24, 2005

KIDS ON THE MOVE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

No matters were reported in the prior year audit.

KIDS ON THE MOVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

84.181

Name of Federal Program or Cluster

Special Education – Grants for Infants and Families with Disabilities

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

II. Financial statement findings:
No matters were reported.

III. Federal award findings and questioned costs:
No matters were reported.

KIDS ON THE MOVE, INC.

MANAGEMENT LETTER

GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A HEATON, C.P.A.
LYNN A. GILBERT, C.P.A.
JAMES A. GILBERT, C.P.A.
BEN H PROBST, C.P.A.

SIDNEY S. GILBERT, C.P.A.
JAMES E. STEWART, C.P.A.

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Board of Trustees
Kids on the Move, Inc.
Orem, UT

August 24, 2005

We have completed our audit of the financial statements of Kids on the Move, Inc. for the year ended June 30, 2005 and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on those statements based on our audit.

This letter is issued as required by Statement on Auditing Standards No. 61, "Communication with Audit Committees", which requires auditors to determine that certain matters related to the conduct of an audit are communicated to those who have responsibility for the oversight of the financial reporting process.

Significant Accounting Policies - The accounting policies used by the Organization for the year ended June 30, 2005 were consistent with those used in prior years.

Management's Judgments and Accounting Estimates - Management estimates the remaining useful life of property and equipment. Our tests on these estimates consisted of comparisons with prior years and discussions relating to future benefits to be derived from the related assets. Management's estimates were considered by us to be materially correct.

Significant Audit Adjustments - No significant audit adjustments were made by us.

Other Information in Documents Containing Audited Financial Statements - None

Disagreements with Management - None

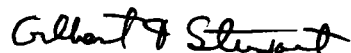
Consultation with Other Accountants - None

Major Issues Discussed Prior to Engagement - None

Difficulties Encountered in Performing the Audit - None

We wish to express our appreciation to the Organization personnel for the friendly and enthusiastic help extended to us during the course of the examination.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART
Certified Public Accountants